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Surface Transportation Board
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Attn: STB Ex Parte 582
1925 K Street, NW
Washington, DC 20423-0001

March 6, 2000

National Starch & Chemical Co. is pleased to submit comments in ExParte 582, Major Rail Consolidations.
Please find 10 copies along with a 3.5 inch diskette.

Philip G. Sido

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BEFORE THE SURFACE TRANSPORTATION BOARD

STB Ex Parte No. 582

PUBLIC VIEWS ON MAJOR RAIL CONSOLIDATIONS

COMMENTS

NATIONAL STARCH AND CHEMICAL COMPANY

March 1, 2000

My name is Philip G. Sido and I am Director, Transportation and Distribution for National Starch & Chemical Co. (National). National is a member of the ICI Group, has revenues in excess of $3 Billion and is a leading worldwide producer of adhesives, specialty synthetic polymers, electronic and engineering materials, specialty industrial and food starches. We manufacture, distribute and support thousands of advanced products from a network of more than 160 facilities in 36 countries on six continents.

The complexities of research, manufacturing, sourcing raw materials and overall order fulfillment to customers dictate and demand that supply chain activities operate smoothly. Clearly, transportation is an important part of this global supply chain. Many of the inbound raw materials and finished goods require and depend on safe and consistent transit that railroads are capable of supplying. It is for these reasons that National comes before you to discuss the importance of safe, reliable and competitive rail transportation.

The Surface Transportation Board, through Ex Parte 582, has asked interested parties to comment on major rail consolidations, the affect of mergers on rail industry finances, rates, service, capacity and infrastructure as well as the future of North American rail network. These questions are particularly pertinent since the Burlington Northern Santa Fe (BNSF) and Canadian National (CN) has announced their intention to merge and the future of North American railroading is on the verge of changing, again.

Let me begin by stating that as members of the National Industrial Transportation League and the Chemical Manufacturers Association, those organizations will be providing detailed responses to the Board raised questions. National wishes to comment on certain aspects of rail mergers, service needs and competition. It is expected that as the proposed BNSF – CN merger process evolves through the regulatory process, we will comment directly.

National, like many other rail customers, has endured through a myriad of Class I rail mergers during the 1980's and 1990's. We also witnessed the proliferation of short line railroads and welcomed their competitiveness and creativity.

These mergers have all had common benefit themes used as incentives for approval: single line routes, reduced transit times with better reliability, elimination of interchanges, ease of doing business through unified information for ordering, tracking and billing, superior information technology systems, etc. Most have claimed that these benefits would result in increased rail business and remove trucks from the highways.

Unfortunately, Class I railroad mergers have not resulted in the promised benefits and our overall costs have been driven upward. Transit times have increased and we have had to invest in additional, costly rail equipment and software monitoring systems. We spend more of our own time locating and managing our rail assets. Inventory carrying costs and working capital have increased, while productivity has been reduced. Increasingly, our products that could move in a controlled rail environment and fuel efficient manner have been forced to move in higher volumes over the highway system. Our customers have and do make competitive choices in buying our products. We must also make decisions based on economics and service to meet our customer's requirements. It is critical that our supply chain is efficient in meeting order fulfillment. The results of rail mergers have left us with options that are often not beneficial to us or our customers.

Each rail merger has resulted in reduced competition and infrastructure and the ability for the newly created shortline railroads from handling more business and helping solve their Class I connecting partner's congestion problems. We do not need more mergers, but rather we need the large and small roads, alike to work together with the ability for more access by each to increase competition, contribute to congestion alternatives and routing options.

We trust that the Surface Transportation Board will use these proceedings to review their existing policies and procedures on future rail consolidations. Competition and choice is the real answer in assuring a North American rail network that can help us compete in our global marketplace. If changes are not implemented that address the need for increased competition and better service, then past performance <u>will</u> be a guarantee of future results.